

**Franchise Tax Board****ANALYSIS OF AMENDED BILL**

Author: Cedillo Analyst: Jennifer Bettencourt Bill Number: SB 1101

Related Bills: See Legislative History Telephone: 845-5163 Introduced Date: January 15, 2008  
Amended Date: February 15, 2008

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Emergency Food Assistance Program Fund/Extend Repeal Date To  
January 1, 2014/Fund Name Change

**SUMMARY**

This bill would extend the repeal date for the Emergency Food Assistance Program Fund and change the title of the fund.

**SUMMARY OF AMENDMENTS**

The February 15, 2008, amendments would change the title of the Emergency Food Assistance Program Fund to the Emergency Food for Families Fund, and extend the repeal date to January 1, 2014. This is the department's first analysis of this bill.

**PURPOSE OF THE BILL**

According to the author's staff, the purpose of this bill is to continue providing a mechanism to make charitable contributions towards the Emergency Food Assistance Program that helps local food banks provide food for California families in need.

**EFFECTIVE/OPERATIVE DATE**

This bill would become effective January 1, 2009, and would apply to tax returns filed on or after that date.

**POSITION**

Pending.

**Board Position:**

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

**Department Director****Date**

Selvi Stanislaus

3/11/08

## **ANALYSIS**

### **STATE LAW**

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their personal income tax (PIT) returns to any of the 11 voluntary contribution funds (VCFs) listed on the return.

With the following exceptions, VCFs remain on the PIT return until they are either repealed or fail to meet their minimum contribution amount.

- Except for the California Seniors Special Fund, which has no sunset date, each VCF has a specific sunset date.
- Except for the California Seniors Special Fund, the California Firefighters Memorial Fund, and the California Peace Officer Foundation Memorial Fund, each VCF must meet an initial minimum contribution amount of \$250,000.
- Except for the California Fund For Senior Citizens, the required minimum contribution amount is adjusted annually for inflation for each VCF.

The annual inflation adjustment is based on the percentage change in the California Consumer Price Index. The Franchise Tax Board (FTB) is required to make the following two determinations for each VCF by September 1 of each calendar year:

1. The minimum contribution amount for the next calendar year for the VCF to remain on the PIT return for that calendar year, and
2. Whether estimated contributions to the VCF during the current calendar year will be less than the minimum contribution amount for that calendar year.

FTB is also required to notify certain specified funds in writing of the minimum contribution amount required for the next calendar year. If FTB estimates that a VCF will fail to meet or exceed the minimum contribution amount for a calendar year, that VCF is repealed effective January 1 of that calendar year.

### **THIS BILL**

This bill would extend the repeal date of the Emergency Food Assistance Program Fund from January 1, 2009, to January 1, 2014. Assuming the amount of contributions remain at or above the minimum contribution amount, this fund would last appear on the 2013 personal income tax return.

This bill would also change the title of the fund to the Emergency Food for Families Fund.

### **IMPLEMENTATION CONSIDERATIONS**

Implementing this bill would not impact the department's programs or operations.

## LEGISLATIVE HISTORY

AB 3016 (Cook, 2008) would extend the repeal date from January 1, 2010 to January 1, 2014, for the Military Family Relief Fund. AB 3016 is currently with the Assembly Desk.

SB 43 (Cedillo, Stats. 2003, Ch. 317) extended the repeal date for the Emergency Food Assistance Program Fund to January 1, 2009.

AB 2366 (Cedillo, Stats. 1998, Ch. 818) established the Emergency Food Assistance Program Fund allowing individuals to make voluntary contribution designations on their personal income tax returns.

## PROGRAM BACKGROUND

The Emergency Food Assistance Program Fund first appeared on the 1999 return. The minimum contribution amount for calendar year 1999 was \$250,000. The minimum contribution amount is adjusted for each subsequent calendar year based on the California Consumer Price Index. The Fund has received the following total annual contributions:

2005	2006	2007
\$399,876	\$390,586	\$392,424

The Fund needs to receive a minimum of \$314,540 from the 2007 tax returns filed in 2008 to remain eligible for the following taxable year.

## FISCAL IMPACT

This bill would not impact the department's costs.

## ECONOMIC IMPACT

### Revenue Estimate

Based on data and assumptions discussed below, the revenue loss from this bill would be as follows:

Estimated Revenue Impact of SB 1101 Effective On or After January 1, 2009 Enactment Assumed After June 30, 2008			
Fiscal Year	2008-2009	2009-2010	2010-2011
Revenue Loss	No change	-\$150,000	-\$150,000

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

### Revenue Discussion

The revenue impact of this bill is determined by the amount of contributions to the Emergency Food Assistance Program and the subsequent claim of an itemized deduction for a charitable contribution in the taxable year following the contribution.

In tax year 2007, the fund received \$392,424, an increase from \$390,586 in 2006. This estimate assumes a growth rate of less than 3%, which would result in approximately \$425,000 in contributions being made for the 2009 taxable year.

The net revenue impact of this bill would be an insignificant loss not exceeding \$30,000 annually beginning in 2009-2010. Under current law, the last tax year that individuals would be able to make contributions to the Fund would be on their 2008 tax return. They would then be able to deduct those contributions on their 2009 tax return. The revenue loss for this bill would be attributable to itemized deductions claimed beginning with the contributions for the 2010 taxable year.

Assuming all contributors itemize deductions, the annual revenue loss would be approximately \$25,500 after applying an average marginal tax rate of 6% ( $\$425,000 \times .06 = \$25,500$ ).

### **LEGISLATIVE STAFF CONTACT**

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